

CORRECTED FISCAL NOTE

SB 3310 - HB 3789

April 29, 2008

SUMMARY OF BILL: Establishes procedure for deducting from bid amount on State Building Commission projects the estimated energy cost savings attributable to a bidder's design modifications and proposals, for the sole purpose of determining the low bid.

ESTIMATED FISCAL IMPACT:

On February 18, 2008, we issued a fiscal note for this bill indicating *State Expenditures – Cost Avoidance – Net Impact – Less than \$50,000 per year*. Based on new information received from the Department of Finance and Administration and the State Architect, the fiscal impact for this bill is estimated as follows:

(CORRECTED)

Increase State Expenditures – Net Impact - Exceeds \$100,000

Assumptions:

- The fiscal impact of this bill is dependent upon several unknown factors such as the number of projects undertaken in the future which would result from the proposed bid procedure, the extent of actual energy savings realized over the life of structures built relative to the energy costs of the structures if the bid process had been carried out under current law, and the extent to which the state would be successful in recovering actual excess energy costs above and beyond those estimated in the proposed bid process.
- It is expected that state expenditures will increase due to the State Building Commission being required to adhere to additional requirements as part of the bid process, and from the state pursuing restitution for excess energy costs incurred relative to those expected as determined by the proposed bid process.
- According to the State Architect, the additional requirements imposed on the State Building Commission could significantly delay completion of state building projects. Any such delays could result in higher

SB 3310 - HB 3789

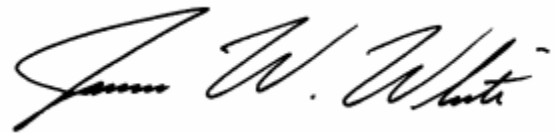
CORRECTED

materials costs due to the inflation of building materials. Determining a precise estimate for the extent of increased expenditures is difficult due to the extent of unknown factors. However, such increase to state expenditures is reasonably estimated to exceed \$100,000 per year.

- According to the State Architect, the Tennessee State Building Commission has recently endorsed Tennessee Sustainable Design Guidelines (TNSDG) that address a multitude of energy related requirements along with health and environmentally sensitive issues. The State Architect has indicated that TNSDG will be a positive improvement in reduction of energy usage in state facilities. As a result, much of the cost savings attributed to this bill in the original fiscal note is now assumed to occur under TNSDG. Therefore, any subsequent and offsetting decrease of state expenditures is estimated to be not significant.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc